

Midwood's Evolution

An Interview with
**John Usdan, Chief Executive Officer,
 Midwood Investment & Development**



Sportsmen's Lodge, a Midwood redevelopment in Studio City, Los Angeles

EDITORS' NOTE For the past 38 years, John Usdan has grown the company his grandfather started in 1925 and built an integrated investment, development and management platform. He has expanded Midwood's portfolio to over 140 retail, residential and office properties in nine states and the District of Columbia. Beyond Midwood, Usdan's philanthropic interests are primarily focused in education and the arts. He is a Trustee Emeritus of Wesleyan University, past chair of Wesleyan's Capital Campaign, and was previously Chair of the Brandeis International Business School. Usdan is currently a Trustee of The Brooklyn Academy of the Arts, Board President of the Usdan Center, Past Board President at Bronx House and on the corporate board of Merchants National Properties.



John Usdan

COMPANY BRIEF For over 90 years, Midwood (midwoodid.com) has cultivated a diversified real estate portfolio comprised of retail, office, residential, mixed-use and net leased properties. Founded in Midwood, Brooklyn in 1925 by Samuel Lemberg, the company has grown into a sophisticated investment and development platform that owns over 140 properties in nine states and the District of Columbia comprising in excess of 3,500,000 square feet with a development pipeline of several million square feet. Today, the company actively seeks to acquire investment and development opportunities in its primary markets of New York City, Boston, Philadelphia, Los Angeles and Washington, D.C.

Will you discuss the history and heritage of Midwood and how the company has evolved?

Midwood was founded by my maternal grandfather, Samuel Lemberg. He came to this country in 1905 when his family fled Russia and specifically the pogroms that had occurred in Kishinev in 1903, which were particularly violent against the Jewish population.

My grandfather, as he told the story, was very modest, with a very dry sense of humor, tried a number of jobs before he started selling real estate in Midwood, Brooklyn in the mid-1920s.

Other than Downtown Brooklyn, Brooklyn Heights and Carroll Gardens, the rest of Brooklyn

at that time was pretty rural and in the 1920s there was development pressure, so developers started subdividing farms and building single-family and two-family homes.

He managed as a salesman to sell three houses in his first weekend. He made \$600 which was more money than he had made in the previous six months and he decided the real estate business seemed like a pretty good business.

During the late 1920s, a lot of how real estate was financed was through private syndications. We would call it securitization today, but they were private syndicates of investors who would put up the money that would become the debt on real estate assets, so when the Depression came around, and unemployment hit nearly 30 percent, most of the building owners and developers couldn't service their debt.

My grandfather recognized, along with his partners Joseph Lubin and Joseph Eisner, that there was an opportunity to buy that debt for literally a penny on the dollar. So when the Depression happened, he was able to buy the debt securities that encumbered, for example, a 100-unit apartment house for \$100.

He would then take over the management of the buildings because he had a large brokerage and management company.

His bet turned out to be a good one and by 1945, at that point my grandfather was 50 years old, he recognized that he had this very significant business and no one to succeed him. He started liquidating their portfolio of apartments and he established the Lemberg Foundation which was a charitable foundation principally to provide support and education to the children from the displaced people from the Holocaust who were emigrating to New York in very large numbers. He set about a course of simplifying his business and giving his money away.

At the same time, he continued to operate a portfolio of significant assets, whether it was a major office building in New York or Pittsburgh. In 1963, he suffered a heart attack and he really accelerated the divestment of his operating properties. By the time he passed away in 1981, we had a portfolio of about three dozen properties, some of which was land. They were all net leases except for one property.

When I graduated from Wesleyan University in 1980, my grandfather called up a friend of his who had been a partner at a really well-known real estate firm of its day and asked if he would give me a job.

In March of 1981, at the age of 22, my grandfather told me it was time for him to retire and for me to run the business. When my grandfather passed away at the age of 86 in July 1981, I was left with the business. I knew how to collect the rents. I knew how to pay the expenses. I knew how to read a lease. That was about it. I had a lot to learn, and fortunately my grandfather had a few friends who I could call and were very helpful to me.

By 1985, I was buying, renovating and managing a number of apartments and needed to commit to hiring people to operate them. I didn't feel that I was ready to manage the number of people that were required to properly manage residential buildings, so I decided to sell most of the buildings.

I started developing industrial buildings on land that we owned. We had another partner that owned a large piece of land in Stratford, Connecticut, so we formed a joint venture and we developed a large industrial park.

I decided that renovating walk-ups wasn't large enough scale. It was a headache and required a lot of people. I changed my business model to developing, buying and redeveloping shopping centers and building industrial and flex buildings in the mid-to-late 1980s.

By 2008, I started to really put my efforts into building an integrated investment and development company. It has taken awhile, but today Midwood has 50-plus people in our New York office. We have offices in Boston, Philadelphia and Los Angeles and the reason why we have those offices is because we have significant real estate assets that we are developing in those markets.

What do you tell young people interested in a career in real estate?

They need to learn that making mistakes is the best thing they can do. You can't be fearful. You have to put yourself in a position of responsibility. If you have an opportunity, grab it and accept responsibility for your decisions.

Most young people who come out of really good schools are used to getting the answer right. As a result, if they don't know the answer to the question, they don't raise their hand as they don't want to risk answering the question incorrectly, and that holds them back. ●